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ABSTRACT

This eighth special report of the National Commission for Manpower Policy sets forth a conceptual base and the major elements for constructing a national manpower policy framework. The content is presented in six sections. The first one is a brief introduction, while section 2 covers the rationale supporting the development of a national manpower policy framework. The third section describes many of the interrelationships and interdependencies that exist between manpower and other policies, and postulates some of the basic principles that should guide the formulation of a national manpower policy. Section 4 presents some of the possible manpower measures and the ways they can be utilized, including consideration of variations based on different economic circumstances. The fifth section identifies some of the key policy areas which should be addressed in developing a national manpower policy framework. The last section is a summary and conclusion. (EM)

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The Quest for a National Manpower Policy Framework

ED154176

A Special Report
of the
National Commission
for Manpower Poiicy

Special Report No. 8
April 1976

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FOREWORD

The National Commission for Manpower Policy, early in its operations, concluded that if it were to discharge effectively its role and its responsibility in helping to formulate a national manpower policy, it would have to extend its reach. In such an effort is recognized that it would have to employ various devices, including in particular publishing critical documents that would enable interested individuals and groups to keep abreast of its work.

The paper that follows, prepared by Robert T. Hall, the Director of the Commission, is the first staff paper that is being made available to the larger public in the form of a Commission Special Report. Those who read it will understand the reasons for facilitating its wide distribution. It addresses the critical issue that the Congress charged the Commission to study and report on. The extant literature on the subject is conspicuously weak, both in quantity and in quality. The present paper is a first effort to set out the parameters of a national manpower policy, and identifies many principles that should inform the elaboration of such a policy.

The paper goes further and distinguishes the different roles that manpower policy must play in different economic settings, that is in good times and in bad; and it identifies and starts to explore the interfaces between manpower policies and a large number of related policies, particularly economic policy.

The writer of the paper appreciates better than anybody that his present effort is not a final product in attempting to delineate what the parameters of a national manpower policy framework might be. It is only a first step in developing a conceptual framework upon which the full scope and dimensions of an overall manpower policy can be constructed. Moreover, he appreciates that the move from prototype to finished product will be possible only if the Commission is aided and abetted in its work by a great number of generalists and specialists in all sectors of American life but particularly in business, labor, community group activities, academe, government, and education.

The publication of this staff paper therefore provides all interested citizens with a preliminary document to which they can respond on any and all subjects where they desire to inform the Commission of their views, so that the Commission will be better able to reach sound policy recommendations.

ELI GINZBERG
Chairman

I. INTRODUCTION

From its inception the Commission has recognized that a more rationalized and interrelated set of manpower policies is needed if the nation is ever to begin to effectively address its many manpower problems. This quest for a national manpower policy framework was stated in the Commission's initial interim reports to the Congress and was most recently reaffirmed in its First Annual Report:

> "A major objective of the Commission is to contribute to the formulation of a national manpower policy which will identify priority national manpower objectives and indicate how they may be achieved."

As the First Annual Report went on to say:

> "This is indeed a formidable task; it encompasses the delineation, assessment, and resolution of a wide range of complex economic, social, and administrative issues."

The Commission has chosen to pursue a considered and deliberate approach in developing a national manpower policy framework. In part, this is due to the complexity of the task, including a widespread divergence of views of what is encompassed in the concept of manpower policy and within that concept, what the appropriate goals and objectives are, as well as how, and through what institutions and measures, these goals and objectives should be pursued.

In addition, the Commission is attempting to develop a framework that goes beyond just reacting to present circumstances and problems. Rather, the intent is to lay out a comprehensive framework involving the broad spectrum of interrelated policy areas and component issues that will accommodate a variety of circumstances over time.

As part of its approach, the Commission has embarked on a series of "building blocks," or specific studies in critical policy areas, which will contribute to and help construct an appropriate overall policy framework. An overview of these activities is presented in the Commission's First Annual Report. It was also decided that it is necessary for the Commission to elicit a wide range of views from a broad spectrum of sources. To accomplish this aim, a series of conferences have been held with concerned and knowledgeable groups, and a range of outside expert papers have been commissioned. The intent is not only to enlarge the

Commission's own knowledge and perspective, but also to establish important channels of communication that should contribute to a mutual education process. It is to be hoped that this process will also create greater support and understanding of the Commission's forthcoming national manpower policy framework.

The culmination over the next several months of the broad range of activities now underway will be the preparation of a comprehensive exposition of a national manpower policy framework for the Commission's consideration. The anticipated national manpower policy will set out a series of basic goals and principles, including stated employment objectives. It will also include prescriptions for a wide range of measures--legislative, administrative, and other--that will translate these goals and objectives into an operational structure supported by improved program delivery systems and manpower policy institutions.

It is anticipated that the Commission will be able to set forth in its second annual report a comprehensive national manpower policy framework that will not only contribute to a more informed national debate and deliberation but to concrete action and measures.

The following staff paper is a first broad-brush attempt at sketching out a conceptual framework for consideration in developing a national manpower policy. In addition to the staff work and discussions of the Commission, the paper draws upon a range of other work in the manpower policy concept area, including the Organization for Economic Cooperation and Development's recent revision of its manpower policy framework.

The intent of the staff paper, which was reviewed by the Commission at its March meeting, is to identify and sort out in a broad and preliminary way the overall parameters for a national manpower policy. On the basis of Commission and other reactions, this conceptual framework will be refined. The additional work in fully developing a national manpower policy is already underway. The staff paper, therefore, is not an attempt to specify a national manpower policy per se, but rather to lay out the guiding specifications within which such a policy could be developed. Presented for consideration and discussion are some initial thoughts on the rationale supporting the development of a national manpower policy framework; an outline of a broad overview of a possible national manpower policy framework; the identification of the major manpower and related policy measures and their potential use; and some key policy problems and issues that need to be addressed in-depth.

The following, therefore, is not a full-blown prescription for a national manpower policy framework, rather it represents only a first stage of the work in this area. Successive stages of the staff work for the Commission's consideration will include the development of suggested specific employment goals and objectives; proposals for program and other measures; and possible approaches for improved policy formulation and coordination, as well as other institutional arrangements, including more integrated delivery systems for manpower and related services.

Much of what is set forth in the paper addresses areas in which there is much experience and knowledge. In other areas we have less experience and confidence but can draw some guidance and comfort from the experience of other countries or from the inherent logic in the principles and actions that are espoused. In some of the aspects set forth, however, there is limited experience, and much of the theory and programs have yet to be fully developed and adequately tested.

The complexities and difficulties in designing and implementing a more effective national manpower policy demand that our vision extend beyond our present reach. In addition, there must be a willingness to re-examine conventional--and convenient--policies and practices and to entertain new values, goals, and institutional arrangements. Failure to do so will greatly hamper our nation's efforts to effectively address its manpower problems and to meet its social and economic needs.

II. THE RATIONALE FOR A NATIONAL MANPOWER POLICY FRAMEWORK

There are a wide range of policies, programs, and practices that affect our nation's human resources. Indeed, a major concern of governmental policy over the last 30 years has centered around the development and utilization of our human resources. The initiation or expansion of such efforts as manpower development; education; poverty programs; workers' trade adjustment assistance; income support; equal employment; safety and health and other labor standards; public works and other job creation efforts, including selected economic development efforts, are but a few examples in a long list of social and economic initiatives that have greatly affected our nation's manpower. These and other activities reflect the increasing complexity of our social and economic structure and the demands for public policies to deal with the needs that arise from the imperfect working of an increasingly complex social and economic structure. Such responses should not be categorized solely as reactions to problems but are in large part the result of a heightened awareness and an increasing expectation on the part of the citizenry. These demands for high standards and performance in the functioning of the society and the economy will continue to increase.

In a certain sense, much of our nation's human resources policies are the product of omission rather than commission. For example, the marginal efforts in regional economic development programs that among other things would help address pockets of structural unemployment. The effects of "fallow" policy areas, however, is no less real.

The evolution of the existing myriad policies and programs in the human resources area has been molded in large part by their genesis as an "after the fact" response to problems that have emerged. Subsequently the design and implementation of these policies and programs has often been a helter-skelter affair, with inadequate attention being given to the broader ramifications of a policy or to its role within a larger set of overall national goals.

Policies that affect human resources are not limited to the example activities cited above. Economic and other governmental policies and actions affect employment and manpower utilization as much as, if not more than, perhaps all the so-called human resources policies put together.

The employment and manpower implications of our energy policies--such as they are--are often subtle but will be significant over time. The important interrelationships of these other policies, however, are often overlooked or neglected.

In addition, human resources policies have been evolving within a changing set of governmental roles, as well as in its relationships with the nongovernmental sectors. Also changing are the distinction and boundaries between what is conventionally described as the public and private sectors and the changing make-up of the private sector itself with the growth of nonprofit organizations. Of particular importance is the changing governmental involvement in the economic and social spheres.

The respective roles and relationships will ebb and flow, but the basic forces that exert pressures on the use--and misuse--of our nation's greatest wealth, its human capital, will remain. Indeed, social and economic requirements will be exerting even greater pressures upon our nation's institutions--governmental and nongovernmental--to better develop, deploy, and utilize our human resources for economic reasons, and increasingly, for social reasons as well. For example, efforts by women to achieve greater social and economic equity will increase, with significant implications for traditional labor market policies and practices.

Therefore, as our nation has--and by necessity will continue to have--a broad spectrum of human resources policies, as greater economic and social demands will be placed on our human resource and related policies, the efficacy of our present manpower policy base and its capacity to meet the new demands that will be placed upon it need to be re-examined. Such a task is not easy. But it is necessary.

The case for a national manpower policy framework rests in large part on the need to provide some central policy overview and goals within which the myriad range of relevant human resource policies and programs can be related and coordinated and their respective goals and objectives assessed. Central to the development of a national manpower policy is the increasing pressure for achieving "full employment," which ostensibly has been a national goal for many years since the passage of the Employment Act of 1946.

In summary, the nation has a wide range of human resource policies and programs that are expending billions of dollars (indeed, using a broad definition of human resources, the involved effort accounts for a major part of the federal budget) and that are directly affecting most American families. To a major degree, many aspects of these policies are not coordinated either in their formulation or in their execution, and indeed they may often be working at cross-purposes. In addition to the need for a cohesive manpower policy framework, there is a critical need to set out more specific employment and manpower goals and objectives and to establish standards in order to adequately assess the effectiveness of specific manpower policies and the contribution of the component programs and measures.

Although social equity considerations provide a sufficient rationale for more considered manpower policies and measures, there are equally compelling economic reasons, such as improving productivity, helping to reduce the inflationary pressures that attend high levels of employment, and maximizing economic efficiency in general.

A series of legitimate questions can be asked of those who say--as does the Commission--that there is a need for the United States to develop such a national manpower policy framework.

These questions may be posed as follows:

- Don't we already have a range of explicit and implicit manpower policies?
- Isn't manpower so interrelated with so many other policies, such as economic ones, that it is not possible to carve out something called manpower, and therefore to frame specific policies for what is designated to be manpower?
- Why should the manpower area be any different from other public policy areas, in that we really don't have, don't need, or can't effectively develop a comprehensive set of public policies with a coordinated framework?
- Even if we could develop a comprehensive manpower policy framework, how would it be applied "in the real world?"

- Over time won't changing economic, social, and political circumstances soon make a manpower policy framework obsolete?

- What evidence is there that such an undertaking would have positive results?

There are no perfect answers to such questions, although good arguments can be made and substantial evidence can be provided in supporting the case for a national manpower policy framework. The responses would include the following points:

- Although we do have a range of manpower policies and programs, many of them often overlap and work against each other; others have less than clear objectives and standards; some programs are of questionable effectiveness; and many serious policy and program gaps exist.

- The fact that there is great difficulty in structuring comprehensive and integrated national policies does not argue against attempting to do so but rather underlines the great need for, and potential benefit of, making such an effort.

- The application of a national manpower policy in the "real world" would, of course, be the litmus test of such a framework, and therefore a guiding principle in its design must be administrative practicability and determining what is feasible as distinct from what is desirable.

- A national manpower policy framework should not be a static set of goals and policies, indeed its very construct would be adaptability and responsiveness to changed circumstances and requirements.

- As for evidence that increased benefits would result, final judgment will need to be made upon implementation of the policy, but surely an improvement over the present social and economic waste of people and resources would be a positive result.

Certainly few would disagree that as a nation we have significant and varied employment and manpower problems. It is commonly agreed that many of our manpower and related policies--explict and implicit--have proven to be solely wanting and indeed are often counterproductive. In addition,

we have great difficulty in defining and delineating many of the manpower problems, let alone designing possible approaches for their remediation. It is also obvious even to the casual observer that the responsibility and authority for public manpower policy is haphazardly spread among several federal agencies and entities as well as over three levels of government. In addition, the required involvement of employers, unions and other concerned sectors of the society and economy has been difficult to achieve.

Although there are presently a range of manpower policies of varying degrees of effectiveness that attempt to deal with our manpower problems, there are new circumstances at play. High unemployment simultaneously with inflationary pressures; a shrinkage in real disposable incomes arising from higher energy, food, and raw materials costs; and changing balance of payments and related foreign trade pressures are but a few of the new circumstances that suggest that the jerrybuilt manpower policy structure of the past is no longer adequate--if it ever was--to meet our employment problems.

The importance of supplementing economic growth policies with selective manpower development and employment creation measures is more important than ever. The nation faces the major challenge of how to return to high employment levels and a better utilization of its manpower without unduly increasing inflationary pressures. Here and abroad traditional approaches are proving ineffective and new measures need to be developed and tested.

Aggregate fiscal and monetary policy continues to be central in the endeavors both to reverse the slack in economic activity and to limit the rate of inflation. Yet there is concern about expanding aggregate activity more rapidly because of the concern that the subsequent result would be more serious economic problems than those experienced over the past few years.

Therefore, new links need to be forged between macroeconomic policy and selective employment policies. These new links must be expansionist with regard to production and employment, but minimal in their inflationary impact.

The dilemma of unemployment and inflation must be dealt with in the context of longer-term developments that will affect the difficulty of stabilizing total employment at a level that fully utilizes manpower resources. These longer-term developments include:

- More extensive social insurance and income support systems.
- The tendency for the risks of unemployment to be concentrated among certain groups--particularly the disadvantaged--and locations.
- The increasing number of women combining paid employment and the raising of families.
- Increasing demands for a more equitable distribution of income.
- The need for adjustments to new international trade relationships and circumstances.
- Changing demographic trends.
- Shifts in the geographic dispersion of employment growth.
- Changes in energy and other resources availability that increases international economic dependence.
- Rising levels of education and increasing occupational specialization leading to the need for greater meshing of the educational system and labor market.
- Rising expectations regarding careers and the quality of working life.
- The pressures resulting from the increasing proportion of the nation's budget that goes to social programs in general.

All of these new demands and pressing challenges emphasize the need to review and reformulate the principles guiding the development of the nation's manpower and employment policy and to assess the measures for implementing that policy.

Even if one were to downgrade the emergence or to minimize the effects of any longer-term structural changes, there is still a need for a major re-evaluation. A nation that anticipates at least 6 percent of its work force (or 6 million persons at any one time) to be unemployed through 1977 has a need to examine anew its basic policies. In some areas, youth will experience rates of unemployment between 30 and 50 percent and many of these youth (especially those in the inner city) will grow into adults without having the opportunity to hold a regular job. Clearly these are serious problems to be addressed. A re-evaluation of our basic policy is needed when it is anticipated that, in this fiscal year alone, $19 billion in unemployment benefits will be paid to people who cannot find work at the same time that there are so many social, economic, and other needs to be met.

The related costs of unemployment, such as crime, health problems, alienation, and social tension, are adding other untold billions of dollars. We are experiencing productivity and international trade problems. Our nation's young are turned loose into a Darwinian passage in their transition from school to work.

As a nation celebrating the two hundredth anniversary of the world's greatest social and political experiment, we certainly question whether this is the best we can do, and if it is not, how we should proceed to do better. In sum, the argument for attempting to develop a national manpower policy framework is to explore how best should we proceed to do better in developing and utilizing our human resources for greater social and economic benefit.

Some delineation of what is meant by a national manpower policy framework is in order. The concept of a national manpower policy has been discussed by many, but it has not been well defined as to what it would be or how it would be structured and implemented. Conceptually and operationally, it has many elusive dimensions that preclude sharp demarcation and exposition, but the following major elements can be identified:

- A fairly explicit set of principles and goals.
- Specific objectives, with standards and timetables.
- A series of program and operational measures.
- A range of coordinated delivery systems, with accountable management structures.

- An infrastructure of manpower policymaking institutions tied into the economic policy institutions.

- Other support institutions for labor market information and data, as well as a related research effort.

- Performance standards for both policy and program assessment, with an evaluation and control system.

At its base is a set of stated national[1] goals and principles to be adhered to in the formulation of governmental policy. Many of these goals and principles would be encoded into statute, incorporated into operational policies and administrative procedures, and supported by a variety of program structures and delivery systems. The formal structure of a national manpower policy would need to be supported by an increased level of awareness and understanding of the role and function of manpower policies on the part of policymakers and the public at large. This national awareness and commitment is a primary requirement in the development of an effective national manpower policy. For example, the increased awareness of the scope of manpower policy would be reflected in a more conscious approach to considering manpower requirements in the making of other national policies, for example, energy and environment. As we discuss later, its dimensions would also include the extensive involvement of nongovernmental entities.

The critical need for securing the commitment referred to above requires a better exposition of manpower policy and a demonstration of its benefits. In order to do this, a necessary first step is the development of a conceptual framework that will underly the required new policy perspectives.

A key objective of a national manpower policy framework would be to move employment and manpower from their status as "residual" matters to be dealt with as problems arise to that of a policy area deserving primary consideration. Central to this new perspective would be a clear set of national manpower goals and objectives supported by an integrated set of policies and programs.

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[1] The term "national" does not mean federal, but rather involves state and local levels of government, as well as the active involvement of employers, unions, and other groups in society concerned about manpower.

Certainly the central issue in any formulation of a national manpower policy is the question of an adequate availability of jobs for those desiring to work and capable of doing so--commonly referred to as "full employment." This and a range of other issues in a national manpower policy framework must be addressed not only in terms of goals and objectives, but in their operational means as well.

An example of one key component of a national manpower policy framework might well be the development of an integrated set of standby policies in the form of statutory authority and programs that would readily trigger in during recessionary periods to combat cyclical unemployment. Among many things that such a program could include are special income maintenance efforts (through UI and other income support systems); various forms of public works (including community development projects); augmented training and other manpower services. All of these would be coordinated with fiscal, monetary, and other governmental policies. These special efforts would then phase out as the need abated.

It is suggested that in an integrated set of standby policies the respective trigger mechanisms would be comparable, or at least related. The programs would have regulations, procedures, and the basic administrative structure in place, ready for implementation as the need arose. There could also be some provision for contingency planning that could be implemented on an "economy alert" basis. Related consultative mechanisms among the government agencies would be provided for, including the economic and other related policy officials. This is only a crude sketch of one aspect of what could be developed for inclusion within a national manpower policy framework.

A national manpower policy is <u>not</u> a single set of laws and policies. It is not a public policy "cookbook" in which listing "x" could be found as a pat solution to manpower problem "y". Indeed, a national manpower policy framework would be a changing and adjustable network of policies and programs that would be continuously reviewed in order to accommodate changing circumstances; as part of its basic construct there would be a great deal of flexibility to quickly adjust to unforeseen events.

In the final analysis, a national manpower policy framework must rest on a national understanding and acceptance of the role and function of manpower and employment policies and their social and economic impact.

A fuller exposition of what might be involved in a national manpower policy framework is set out in the following sections.

III. A BROAD OVERVIEW AND OUTLINE

A. General Considerations

This section sets forth the purview of a national manpower policy framework in terms of its guiding principles and major goals.

The foundation of a national manpower policy framework is a structured interrelationship and mutual dependency of economic and manpower policies. The former is the centerpiece for determining the aggregate level of economic activity and hence largely dictates the levels of employment. The latter, an integral part of micro economic policy, determines the development and utilization of the nation's human resources within the functioning of the economy. The interdependence and reinforcement that manpower policies can contribute to economic policies need to be set forth, as well as the social and equity considerations that must be a major focus of any public policy framework.

As indicated previously, a broad range of governmental policies and actions greatly affect the manpower arena. Decisions on energy, environment, defense, just to name a few, clearly have very profound affects on employment and manpower.

Although policies in such areas must be set with primary consideration given to the basic needs and mission of these areas, there needs to be some consideration of the possible manpower implications. This is not to suggest that manpower considerations should be controlling, but rather that in these other areas, the manpower effects are incorporated in the development of policy options and final decisions. Knowledge and consideration of the manpower effects can possibly help shape other options that on overall considerations may result in sounder public policy. That is, in the related policy area there may be worthwhile trade-offs that will help mitigate manpower problems that would otherwise arise or that may reinforce overall manpower policy objectives.

For example, in the energy area certain policies that from an energy supply standpoint would appear to be the most desirable, may have as their consequence severe disemployment and/or skill supply bottleneck effects. An alternative energy poli / decision, although not optimum from an energy supply standpoint, may create less adverse manpower side effects. Overall such an option may be a "better" energy

policy choice. Indeed, it may even be supportive of national employment objectives to the degree that energy considerations may have to be downgraded. If, on the other hand, energy considerations per se overrode manpower considerations, there at least would be some understanding and forewarning of the potential manpower implications, and preparations for meeting possible manpower problems could be undertaken.

This interdependence of governmental policies and the effects on employment and manpower is not fully appreciated, and inadequate methodology and machinery exists for the assessment of the manpower impact of governmental policies in general and the consideration of mutually supportive options.

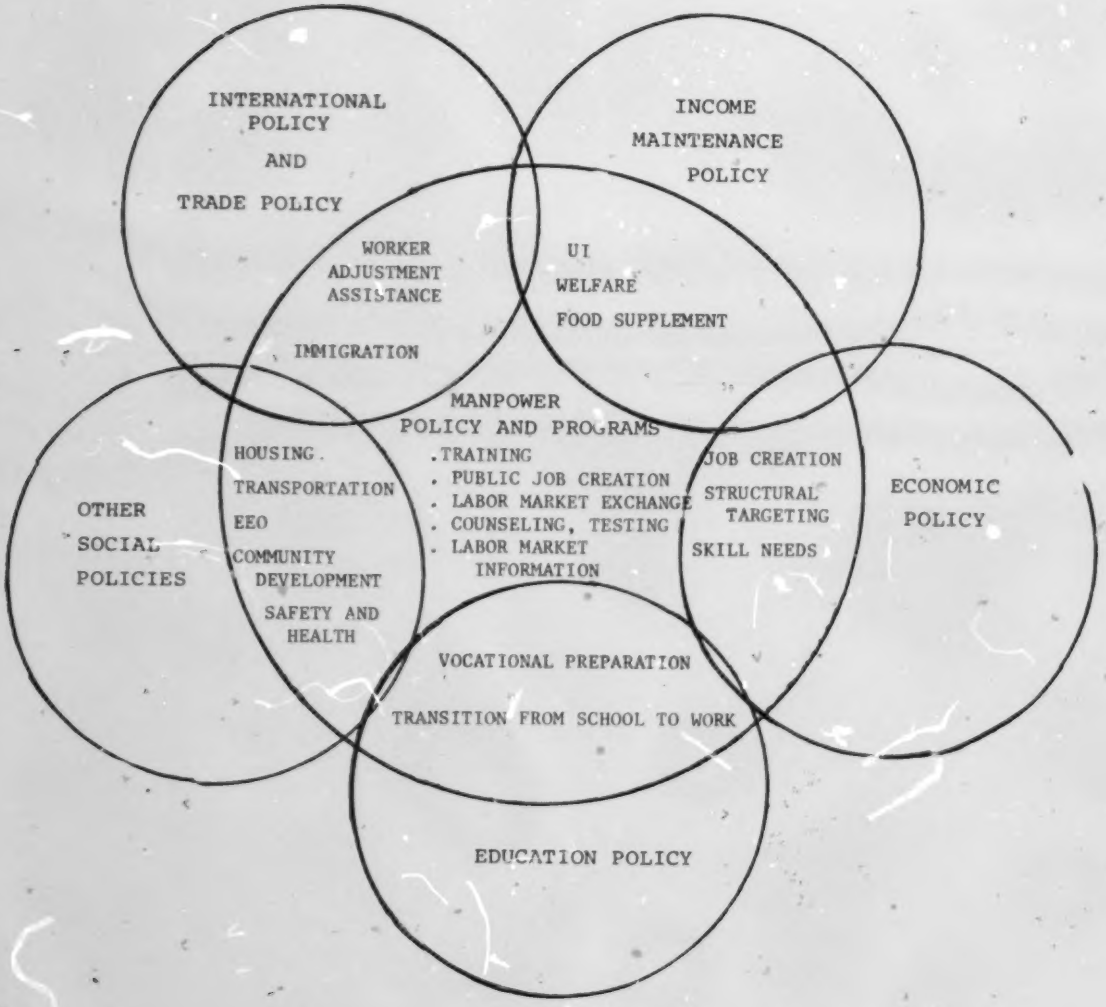
The following schema on the interface of manpower policy and interrelated policies presents in a broad fashion some of the major policy interdependencies that affect manpower. It further dramatizes the difficulties that arise in drawing the boundaries of what should be encompassed in a national manpower policy. The delineation of what are the core elements and the required relationships to other policy areas is a major task. Determining the appropriate reach of manpower policy is in large part a question of values, that is, is vocational education occupational preparation or is it education, or is it both and, if so, what emphasis should be given to these mutual roles?

A national manpower policy must involve all levels of government and requires the full participation of all sectors of the economy. Of increasing importance is the participation of community based institutions. The role and involvement of the private sector, including the not-for-profit portion, in setting and effecting manpower policy needs to be greatly strengthened. In the final analysis it is the private sector, as the primary employment source, that will determine the efficacy of our nation's manpower policy.

Historically, our manpower policies have largely been directed toward improving the employability of the unemployed, particularly disadvantaged groups. These efforts must be improved and expanded not only for social objectives, but for their economic value as well. As important as these needs are, a truly effective manpower policy extends beyond these concerns and also deals with a range of other important issues, such as productivity, skill requirements, and job satisfaction. Indeed, the mutual reinforcement of manpower's

CHART 1.

SCHEMA ON THE INTERFACE OF
MANPOWER POLICY AND INTERRELATED POLICIES



social and economic objectives are often ignored to the detriment of both objectives.

B. Guiding Principles

1. Full Employment As a Primary National Goal

There must be a reaffirmation and implementation of the commitment to full employment as the principal goal of a national manpower policy framework. The full employment goal has both quantitative and qualitative dimensions, and its achievement must accommodate both economic and social objectives, as well as the differing needs and circumstances of individuals and groups.

The central implication of the full employment goal is that new economic and social conditions call for an explicit and positive strategy not only for maintaining but for creating employment opportunities. Although primary emphasis should be on the creation of regular jobs in the economy, when that goal cannot be adequately achieved, consideration of other forms of job creation must be relied on. A full employment strategy must be supported by economic, manpower, and social policies and must have the cooperation and support of employers, organized labor, and other sectors of the society.

Full employment is a complex substantive and political issue. It is a policy goal that most all ascribe to, but with different understandings of what it means and a variety of commitments to the range of means to achieve it. The formulation of a full employment goal and program will be one of the more difficult tasks in the development of a national manpower policy.

2. Developing a Structured Interrelationship Between Employment Policy and Demand-Management Policy

The objectives of an employment policy, the emphasis on policy instruments, and the manner in which these instruments are employed are all affected by variations in the level of economic activity. In view of this, it is essential that the nation more closely integrate economic policy with selective manpower and employment policies if the latter are to effectively complement and indeed help shape general economic policy and to meet social needs.

Full recognition of the capacity of manpower and employment policies to stimulate or create employment selectively and of the potential impact on employment of alternative policy decisions must be a part of the formulation of economic policy. Although the authority for developing selective fiscal and monetary measures rests with economic policymakers, the knowledge of the labor market and the specialized analytical capability needed to assist economic policymakers in developing such policies need to be provided by manpower policymakers.

It must also be emphasized that in developing policies to deal with current problems, both economic and manpower policymakers must relate short-run objectives to the long-range goals of promoting orderly and sustained economic growth, attractive employment opportunities for both present and future participants in the work force, equality of opportunity in the labor market, and an adequate and reliable income.

Of particular importance is the need to recognize the role of capital investment in private and public undertakings to bring about a sufficient expansion and modernization of industrial plant and equipment. There is a need to review investment policies to determine to what extent greater investment should be promoted and by what methods.

3. Meeting Job Needs Through Selected Measures for Stimulating Employment

Most selected policy measures lie between overall demand-management and the more limited manpower policy instruments (training, labor market exchange, and income maintenance for the unemployed) which deal with labor market variables. Selective employment measures are directed to particular factors of production, regions, industries, or economic sectors and often operate through indirect effects. Most such measures are designed to create employment in the public sector (including nonprofit organizations); directly or indirectly subsidized employment in the private sector; or in some other manner influence the relative cost of the factors of production to increase the utilization of labor in relation to capital or by subsidizing particular investment sectors to create additional employment.

The stimulation of employment may be possible with only a small net addition to aggregate demand. The cost of income maintenance in one form or another of the unemployed now amounts to an appreciable proportion of government expenditures (federal, state, and local). These transfer payments, although largely having social and humanitarian objectives, have an economic basis as well. The budgetary and economic possibilities of selected employment creating measures are enhanced by the fact that the expenditures required may well be significantly counterbalanced by the public revenues generated and by the consequent savings of unemployment benefits and welfare.

It may also be possible to direct selective employment generating activities to groups, sectors, or regions where employment growth will have the least inflationary impact. Employment subsidies through tax credits or grants might be designed to help hold down the cost of net additions to employment and thereby help limit the upward pressure on prices.

Experience with selective employment generating programs is as yet limited, and the feasibility and effectiveness of these programs must be further tested. Institutional and structural factors may make it difficult to design and operate certain types of employment generating programs in ways that make them both practical and effective. It is also necessary to find ways to terminate countercyclical programs when economic conditions no longer justify them.

Programs that might subsidize employment in the private sector should avoid continuing inefficient enterprises and thus inhibiting necessary economic changes that are required to keep the economy viable. Of equal concern is to insure that in subsidizing private sector employment undue competitive advantages do not occur or that wage standards are impaired. While such problems exist, the potential of direct and indirect measures should be fully explored.

The approaches discussed above are especially useful as countercyclical measures. It should be noted that selective employment measures directed at areas and groups suffering severe economic hardship need to be employed as part of a continuing national manpower effort. Depending on the phase of the economic cycle, these programs--largely variations of the countercyclical measures--may be increased or decreased in scale, but their primary purpose remains the remedy of particular regional or sectoral problems that are basically structural in nature.

4. Developing and Maximizing the Skills of the Labor Force

In addition to employment creation measures, vigorous measures are required to facilitate and stimulate the adaptation of people to the changing pattern of manpower requirements in all economic circumstances. Workers can be assisted to leave areas and occupations with inadequate employment opportunities for those with better opportunities. This can be done both in their own interest and for general economic reasons; that is, to reduce inflationary labor market pressures.

The provision of training and retraining opportunities is an essential element in enabling workers to take advantage of new employment opportunities, and in particular, to help disadvantaged workers secure better employment.

Recessionary or other slack periods can be productively used to enable workers to acquire new skills. The expansion of training and educational activities (with appropriate income maintenance) can alleviate unemployment and assist the achievement of less inflationary expansion of employment during the recovery phase. Besides training, the promotion of geographic mobility is a means of assisting the development of more balanced labor markets.

5. Improving Social Equity Through Expanded and Improved Employment Opportunities

Measures to improve equity and the distribution of employment opportunities, income, and career prospects are a critical part of a national manpower policy. The modification of equitable and discriminatory employment patterns depends not only on changes in the labor market, but also on reforms of educational and community institutions. It is essential to introduce measures that help to eliminate artificial barriers to employment as well as to enrich job content. Further, it is necessary to take steps that will improve the quality of jobs in the secondary labor market in which many of our minorities and youth are employed and to promote occupational mobility. It is important that measures to create jobs on a selective basis be available for both skill development and employment objectives; special training programs and rehabilitation measures that will assist the severely disadvantaged and handicapped to permanently improve their ability to compete in the labor market need to be a major feature.

New initiatives, which relate to both employment and education, are required to deal with employment problems of youth, particularly in the transition from school to work. Such an effort requires coordinated action by manpower and educational authorities in concert with employers, unions, and communities to strengthen the institutional links between education and employment.

Government, employers, and unions need increasingly to develop new ways to meet the needs of workers for increased satisfaction from work. Greater efforts must be made to create a working environment in which they are able more fully to develop and use their talents, and to influence decisions affecting their working life.

6. Integrating Income Maintenance and Employment Policy

The qualitative aspects of full employment, including the derived income, are no less important than the quantitative aspect. In this regard, employment is only a means; the end is adequate financial sufficiency for individuals and their families. The issue of income levels derived from employment, including such questions as income redistribution, is no small part of a national manpower policy framework.

The provision of adequate incomes for those unemployed is an essential element of social justice. It reduces inequities between those who are in employment and those who suffer unemployment through no fault of their own. Unemployment benefit systems must become universal for those in risk of involuntary unemployment, and benefits must provide an appropriate proportion of lost net earnings. Its general economic value as a stabilizer of purchasing power has also to be recognized.

At the same time, unemployment benefit systems require reappraisal if they are to be adapted to the needs of the long-term unemployed and to the financial constraints of the present system. Higher and longer-duration unemployment together with improved benefits, has contributed to the escalation of income support expenditures. Higher and longer-duration unemployment makes it necessary to have an income maintenance policy that also helps workers to adapt to new employment and avoids any tendency to weaken work incentives.

A more balanced approach to public expenditures to alleviate unemployment depends on a recognition that much of the actual social and economic cost of employment fluctuations is borne by society as a whole--through income support for the unemployed or through other indirect costs financed by the government, such as Medicaid, or in the other indirect social costs that inevitably occur. These considerations lead to the proposition that the nation would better meet its economic and social objectives by actively exploring and promoting positive manpower development and employment creation measures on the principle that it is better for both the individual and the society to pay people to be gainfully occupied.

Of critical importance is the sorting out of the close interrelationship between work and the range of income maintenance programs characterized as welfare. The underlying critical issue that needs to be faced as a matter of public policy is whom do we want to work and for what reasons. The attendant issue then becomes, through what measures and at what cost do we wish to implement a work-related income maintenance effort. Underlying these issues is the conundrum of, on the one hand, providing suitable income for such work-based efforts, while, on the other hand, maintaining incentives to work in the regular labor market. As in most important public policy areas, many myths and misconceptions abound. The work-welfare area is no exception. The development of viable public policy in this area must face up to the realities of the employability status of much of the welfare population, its basic dynamics, and the employment income prospects that exist in the labor market for many of those who are on welfare. At the same time, a growing need exists for both social and economic reasons for improved and expanded measures for assisting individuals into greater economic self-sufficiency.

A major issue that needs to be addressed involves those who are often described as the "working poor." Employment and income maintenance policies come together--or fail to come together--for those individuals and families who although working full-time, are unable to adequately support themselves and who in many instances are better off if they are on welfare. The development of a more rationalized and integrated set of work incentives measures that will support rather than penalize employment is a critical component of an overall manpower policy.

7. Aiding International Cooperation and Adjustments

Employment policies have an important role to play in enabling the nation to continue the trend toward freer international trade and investment. Workers in industries affected by international trade must be assisted in adapting to structural changes that result from changing patterns of trade. Such assistance will assure that society shares the cost of readjustment with those workers adversely affected and will reduce pressures for the introduction of the protectionist trade policies that would prove disastrous to all countries.

Immigration policies encompass more than manpower policy considerations. The employment effects of worker immigration--especially that of illegal workers--however, must be considered. Humane and international considerations must not adversely affect the employment opportunities or labor standards of our own work force.

8. Improving Coordination of Policy and Its Implementation

Improved institutional arrangements are required at the federal level for the articulation of overall policy, the determination of strategy, and the development of major program initiatives. The federal manpower authorities must insure that the various elements of an overall employment strategy are taken into account by other government policymakers; for example, Treasury, Council of Economic Advisors (CEA), and Office of Management and Budget (OMB).

Administrative structures, on a national, state, and local basis, should be so organized that actions to meet changing situations in the labor market can be rapidly taken on an adequate scale and to assure that the delivery of services is sensitive to the problems of policy coordination.

Three important elements remain to be achieved if manpower policy objectives are to be effectively pursued. First, the instituions responsible for implementing manpower policy must be closely coordinated with economic policy and other forms of social policy that have manpower consequences. It is only in this way that the manpower implications of other policies can be thoughtfully assessed and given their proper weight in economic and other policy decisions. This

extends beyond the "traditional" monetary and fiscal policies to include Social Security and welfare, immigration, education and training, housing, transportation, agriculture, energy, and international trade policy. Second, a substantial improvement in techniques is required to assess systematically the manpower consequences of decisions in the foregoing policy areas. Third, the base of knowledge about the manner in which the labor market operates and the quantity and quality of data reflecting the dynamics of the labor market must be significantly increased.

In addition, the capacity to act flexibly and quickly in response to both the foreseen and unforeseen developments requires (1) advance planning of measures with a potential for quick adaptation; (2) the improvement of current labor market information and forecasting capabilities on the part of manpower agencies; and (3) the strengthening of consultation and joint policy making between manpower and economic authorities.

The operational and administrative burdens that fall on manpower agencies when unemployment is high should not undermine their capacity to play a positive role in the formulation and implementation of a coordinated employment strategy. For instance, the function of job placement, complemented by an increasing provision of manpower services, including occupational information and counseling, should be performed for those drawing unemployment insurance even during high benefit payment work-load periods. Job openings exist even in recessions and, therefore, job preparation and placement efforts should be diligently pursued.

Improved links are needed between public manpower measures and decision making in enterprises where most of the decisions affecting employment are made. This applies in particular to selective employment policies, as well as to those policies for industrial, technological, and regional development that have an impact on manpower utilization. The economic and employment policies of governments have cost implications for enterprises, and often the related decisions of enterprises have costs for society. The efficient achievement of national economic and social objectives is dependent on the fair allocation of these costs. Employer involvement in manpower requires a concomitant involvement of organized labor, both cojointly with business and as an independent manpower institution in its own right.

The foregoing observations are only an initial overview and outline of some of the broad principles that might be included in a manpower policy framework. Much further refinement and elaboration, as well as the addition of other guiding principles, are required. The guiding principles, however, help set the stage for the following discussion of a range of possible manpower measures and their use.

IV. MANPOWER POLICY MEASURES AND THEIR USE

Within the preceding guiding principles of a national manpower policy framework, a wide range of policy instruments and program elements can be identified that will provide substance to a manpower policy.

The policy instruments and program elements that are briefly identified below are intended only to portray the variety and mix of possible activities. Many of them are ongoing activities whereas others are not. Some of these have demonstrated their utility while others--at least in their present form--have yet to do so.

It is not the intent of this section to describe or to develop in full detail the kinds of measures that should support a national manpower policy. Nor at this juncture are any conclusions of judgments as to the relative worth or applicability of the respective measures made. The identification, design, and judgment of what the panoply of manpower measures should be in a major effort in itself and one that has high priority in the Commission's development of a national manpower policy framework.

For purposes of this paper, however, it is useful to identify the full spectrum of possible measures; to show their broad relationship and functional objectives; and to provide some examples as to their use in different economic settings.

In order to pursue the underlying principle of a national manpower policy--that is, providing employment for all those wishing and able to work--a variety of manpower and employment policy instruments will be needed to complement the interrelated economic policies. Not all will have equal applicability, and different measures will receive varying emphasis, depending on the particular social and economic circumstances. The full range of such measures and instruments are grouped, according to their basic objectives, under the following broad categories:

1. Selective promotion of employment opportunities for areas, industries, groups, or periods of time.

2. Maintaining job attachments and employment.

3. Developing manpower and its adaptation.

4. Improving labor market functioning.

5. Facilitating participation in the labor market.

6. Work standards and conditions.

7. Work-related and other income maintenance.

A. A Spectrum of Possible Manpower and Related Policy Measures

The following is a list of the possible types of activities and instruments, categorized by their generic objectives.

1. Selective Promotion of Employment Opportunities for Areas, Industries, Groups, or Periods of Time

- Direct employment incentives for private and public enterprises to increase, maintain, or restructure manpower requirements.
- Indirect employment incentives for training, stockpiling, and work environment improvement.
- Tax allowances and other subsidies for investments providing new employment and for reducing variations in investment.
- Regional or area development measures, including regulation or incentives for the location of new or enlarged enterprises and reallocation of tax revenues to assist infrastructure development.
- Advance preparation of special public investment projects, including federal support to state/local government projects to be implemented on short notice to counteract reductions in employment.
- Temporary hiring of unemployed persons in current public service activities (public service employment), or in publicly financed community projects.
- Selected support for state/local government employment during economic downturns.
- Public works and government procurement orders specially organized and timed to counteract unemployment.
- Special incentives for affected seasonal stabilization of employment in industries or areas.
- Sheltered workshops, supported work programs, and other special efforts to overcome unique barriers to employment experienced by selected groups within the labor force.
- Community development efforts involving governmental and nongovernmental organizations.

2. Maintaining Job Attachments and Employment

- Training and upgrading of redundant personnel, arising out of changing employer requirements.
- Special training arrangments within enterprises during slack periods.
- Promoting workers' acceptance of technological change through selected adjustment assistance.
- Benefits to compensate for short-time work or temporary layoffs.
- Selected tax incentives or other subsidies.
- Promotion of employment security for individuals by legislation and severance pay arrangements.
- Assistance to weak firms and sectors for temporary continuation or conversion of production.

3. Developing Manpower and Its Adaptation

- Training and other manpower services for the under-employed, unemployed, and persons returning to the labor force.
- Transitional arrangements for young people moving from school to work (such as part-time courses, work-related instruction, and school-related work experience.
- Upgrading training for occupational advancement.
- Public service employment and work experience programs directed at improving individual employability.
- Rehabilitation, training, and special work experience opportunities; and guidance and adjustment assistance for socially and medically handicapped.
- Expanded occupational preparation efforts of the secondary and postsecondary education system.
- Better access to suitable training opportunities for older workers.
- Adjustment of work organization and work places to overcome individual handicaps.

- Transferrable pension rights.

- Promotion of more extensive use of education and training facilities in situations of economic slack.

4. Improving Labor Market Functioning

- Development of an improved labor market exchange mechanism, including:

  a. Improved information about vacancies and jobseekers, greater notification of vacancies, and establishment of "job banks" and related systems using computer techniques.

  b. Advance notice concerning employment variations.

  c. Improved occupational analysis, vocational guidance, and testing facilities.

- Cooperation with employers and trade unions to develop and improve manpower planning within establishments.

- Developing in general greater occupational awareness and labor market functioning through career education and related approaches.

- Extensive labor market research, information and data collection program.

- Facilitating geographical mobility (financial assistance for distant job search, household and moving allowances, and help with resettlement and social adjustment in a new environment.

5. Facilitating Participation in the Labor Market

- Expanded provisions and enforcement of age, sex, and race antidiscrimination efforts.

- Access to health care and other employment support services.

- Special incentives, such as child care, to promote a more equitable distribution of employment between males and females.

- Dependent care facilities for other persons with family responsibilities desiring employment.

- Cooperation between those responsible for manpower, public transportation, and housing policy to promote improved commutation and housing availability to enhance access to employment.

- Introduction to flexible retirement and pension systems (access to early, temporary, partial, postponed pension or re-entry of retirees into employment) combined with incentives for individuals voluntarily to use such systems so as to help counterbalance variations in manpower requirements.

6. Work Standards and Conditions

- Safety and health measures.

- Wage and other labor standards.

- Work redesign and job restructuring.

- Introduction of flexible hours and work schedules, as well as part-time and intermittent work, arrangements to assist the employment of persons with special needs or preferences.

7. Work-Related and Other Income Maintenance

- General strengthening of unemployment benefit systems, including increased job placement assistance and access to skill development and other employability assistance.

- Temporary wage assistance for workers leaving declining areas or sectors, including trade adjustment impacts.

- Easing of access to early retirements for older workers meeting difficulties in the labor market.

- Promoting acceptance of technological and other structural change by severance pay arrangements for redundant workers.

- Improved structure for providing employability assistance to welfare recipients.

- Development of complementary work incentives for low-income employed.

The above-described measures entail many issues in terms of the design of specific programs and their operation. A critical need, regardless of the type and final form of the manpower measures that are ultimately employed, is the development of a more coordinated and integrated network of delivery systems at the federal, state, and local level that fully involves the key parts of the nongovernmental sector, such as employers, trade unions, nonprofit organizations, and community-based groups.

It should also be reiterated that these measures, largely labor market in their orientation, must be conducted and coordinated within the interrelated macroeconomic policies that are being applied.

B. Examples of Possible Variations in the Use of Manpower Measures in Selected Economic Situations

It is clear that manpower policy, like economic policy, must accomodate the economic situation and be readily adaptable to changing circumstances. The need to design a manpower policy framework that has the flexibility to accomodate changing economic circumstances is most important. Therefore, it is useful to demonstrate the adaptability of manpower program measures in different economic settings. Examples of some changes in manpower program emphasis in the context of different types of economic situations that may face manpower policymakers are discussed below. Only a few of the possible manpower measures are discussed in the economic situations set forth. The situations chosen, purely by way of illustration, are (1) a short-term cyclical downturn; (2) a downturn characterized by considerable structural change; (3) slow growth with inflation, some structural change, and perhaps materials and/or capital shortages; (4) high demand, with or without structural change. Whereas the particular economic situation may have a considerable influence on the mix of measures and the degree of use, there are some manpower efforts that should be less affected by the economic circumstance. For example, measures to assist the disadvantaged or regional structural problems need to be pursued regardless of the economic environment; but perhaps these measures should be adapted somewhat to the economic constraints that will prevail.

1. A Short-Term Recession Period

Although structural change is always present to some degree, some downswings are the result primarily of deficiencies in aggregate demand or of a classic inventory cycle with little accompanying shift in consumer preferences or supply conditions. Thus, the resumption of growth will retain much of the previous occupational and industrial

pattern and will be little different from that of the pre-recession period.

In this case, manpower policy may be weighted toward income maintenance-type strategies, as disemployed workers will require income maintenance to sustain them and to prevent further deterioration of aggregate demand until the economic revival restores their jobs. Although the primary reliance would probably be on unemployment insurance, the public employment service or other labor market instrumentalities would concentrate on upgrading the skills of persons who are structurally unemployed to enable them better to compete in the labor market when it improves and to raise their incomes. Depending on the duration of the downswing, training efforts could also be directed toward maintaining or upgrading the skills of the temporarily disemployed work force.

In this kind of situation, some other policy tools could profitably be employed. For example, the provision of unemployment insurance for those obliged to work part-time could serve to assist the maintenance of work forces and attachment to the firm and employee benefits, such as pensions and health care. In the absence of sufficient demand for full-time work in an enterprise and as an alternative to layoff for some of the work force, such arrangements would lower turnover and unemployment costs and would share within an enterprise work force the burden of its unemployment. These arrangements would be most effective where the recession is shallow and short and they assume that most firms would resume their previous employment patterns during the recovery process. Similarly, the device of providing subsidies or tax credits to employers for the purpose of maintaining their work forces in the face of declining demand could be used. Hiring on a temporary basis by the public sector--public service employment or public works projects--is another appropriate response during a cyclical downturn. It is an alternative to pure income maintenance and can result in the production of some socially desirable goods or service while assisting workers to maintain their skills and work habits. No great efficiency loss would be expected, since the need for job search and efforts to modify skills are at a minimum.

All these approaches, as well as income maintenance, have the advantage of helping to maintain aggregate demand (and incomes of workers most directly affected). The timing of these measures, both "on" and "off", is extremely important and difficult to manage. The continuation of such measures well after their need has passed (public service employment or public works especially) is a problem, as is

the possibility of windfalls to employers, which can arise from part-time unemployment benefits or wage subsidy mechanisms. It seems that efforts to restrict the supply of labor should be undertaken with great care. For example, many workers induced to early retirement may possess skills needed during the recovery phase. The absense of these skills, upon the resumption of growth, could present bottleneck problems.

2. Recession with Strong Structural Change

In periods marked by rapid technological change, rising material prices (due either to depletion or to administrative action), changes in social priorities (for example, due to heightened environmental concern), as well as interrupted supplies of certain materials, considerable change can be expected in relative prices and consequently in patterns of demand and supply. The adjustment mechanism in the economy is severely tested, and the result can be a cumulative downturn in economic activity. The implications are considerably different from those for a purely cyclical downturn.

Income maintenance remains an obvious line of defense; however, the job search support aspect may also be very important, since rehires will probably be a less significant fraction of total re-employment. Income maintenance, inter alia, allows governments to "buy time" while they make a full assessment of the nature of the structural changes in order to develop other policy responses.

The manpower agencies should play an important role in assessing the nature of these changes. They can identify the skills available, and develop information on the changing industrial and occupational requirements to help structure training programs. They would also focus heavily on the geographic areas in which demand for labor remains relatively buoyant and assist the mobility of labor to these areas. Training activities would assume much more importance than in a purely cyclical downturn, as there will be a greater need to readapt the skills of the unemployed. Opportunity costs of training these unemployed are low in terms of foregone earnings or the alternatives of job search or "waiting," particularly when re-employment prospects for many of the laid-off workers having redundant skills will be poor. Future occupational demands, however, may be known only imperfectly, and the trainees and public may feel that the training is for jobs that "don't exist." Nonetheless, training represents an optimum use of slack time and otherwise-to-be-expended funds in view of needed occupational adjustment. Such measures will assist economic recovery and

the achievement of the economic turnaround. In a recession with strong structural change, the particularly affected activities are very often concentrated in certain areas. Therefore, regional development programs, combined with retraining and mobility efforts, are warranted. The targeting of industry development in the areas/regions hardest hit by such structural shifts would be appropriate.

Job creation measures in this type of economic downturn may be a less useful policy tool. These measures run greater risks of leading to nonoptimal resource use unless ways can be found for designing programs that will facilitate rather than impede the required structural adjustments. To the extent that they are used to employ persons who are unemployed due to the temporary secondary effects of structurally induced downturns, they can perform a function of similar value to income maintenance and may add to needed public services, as in the case of public service employment or public works.

But short-term or part-time unemployment insurance benefits or subsidies to firms to retain labor may be counterproductive to the extent that they support firms that are not economically viable or competitive. Such measures may also inhibit job search or retraining of workers affected by structural change and thus delay the required adjustment of the labor force and constrain economic recovery. Of course, if they can be applied only to industries that are economically viable and that have a positive long-term growth potential, such income support or subsidies may help promote the desired structural change.

3. Stagflation

In this economic period, characterized by little or no real economic growth and a high level of unemployment and high rates of inflation, the thrust of policy would be to encourage the growth of productivity of the work force, facilitate mobility among sectors, and provide for the kind of trained manpower that will help avoid any manpower bottlenecks that might appear. While income maintenance would be a major tool, it is important that more positive methods be found to utilize prolonged periods of enforced idleness in a manner that will increase both the skills of the unemployed and the productivity of the work force after the economy begins to grow. Retraining to support structural change is necessary but requires identification of potential job vacancies and assessment of the unemployed needing retraining.

This economic situation primarily calls for more extensive experimentation, with selective policies aimed at directly or indirectly creating or stimulating employment in a manner that minimizes inflationary impact.

Direct employment creation in the public sector would have a role to play in the total strategy, especially in providing employment for the long-term unemployed, including new entrants with limited employment prospects.

Various methods of subsidizing employment in the private sector are other possible ways of alleviating unemployment. The subsidies can be in the form of direct grants or indirect tax incentives. Such approaches, however, must be tested for their feasibility, and their role may be limited by the inherent danger that they reduce mobility and prevent normal market mechanisms from forcing the economy to make those adjustments that are required. However, if such measures could be devised in a manner that makes them supportive or required structural change and regional development policies, they could prove useful.

Other positive actions that may be tested for feasibility and effectiveness include selective policies to indirectly affect the relative cost of labor (that is, policies to neutralize any unintended bias favoring the use of capital over labor built into tax laws or other regulations), and to selectively stimulate production in industries that are clearly viable and where such stimulation will have a negligible impact on demand-induced inflation.

A major concern in a stagflation situation is the impact of manpower measures on inflationary pressures, either in terms of budgetary deficits or more directly within the economy. The role of manpower measures as a "safety net" in any deflationary effort, however, should not be minimized.

4. High Employment--Full Use of Productive Capacity

The economic climate during a period of full utilization of manpower and capital is often characterized by acceleration of inflationary pressures accompanied by supply bottlenecks.

The employment service function would have high placement rates and should be able to place the hard-to-employ more readily. Efforts to secure mobility of workers among geographical areas should bear fruit because of the increased availability of jobs. These functions contribute to the maintaining of optimum allocation of labor and the maximizing of productivity and help to avoid bottlenecks in critical

occupations. During these periods, reductions in employment result from shifts of demand or supply; consequently, employment maintenance schemes may have only limited application. This is also true of job creation measures.

Regarding the supply side of the labor market, policies to stimulate labor force entry or re-entry by women and former retirees would need to be strengthened. Areas that are chronically depressed can easily be idenified, and retraining efforts and encouragement of outward labor mobility for them would be facilitated in light of the ready availability of jobs elsewhere. In such an economic scenario, the wide range of manpower measures that enhance the supply and quality of labor would be paramount. This type of situation dramatizes the interdependence of manpower and economic policy.

The foregoing discussion of the possible different uses of manpower measures in selected different economic circumstances is intended only to provide a rough indicative sketch of now a national manpower policy framework could be responsive and adjusted to a variety of economic and employment situations.

The preceding sections have sketched out in broad terms the parameters of a national manpower policy. Even in this necessarily global treatment, a number of basis policy issues were raised explicitly or implicitly. In the further work of developing a national manpower policy, these policy issues will have to be clearly defined and resolved. Several of these major issues are identified and briefly discussed in the next section.

V. KEY POLICY AREAS TO BE ADDRESSED IN DEVELOPING A NATIONAL MANPOWER POLICY FRAMEWORK

A discussion of the key issues involved in developing a national manpower policy framework should help to outline the scope and complexity of the work that will be required to implement such a development. Among the issues involved are timing and a number of general issues ranging from examining the trade-off between inflation and unemployment to strengthening policy coordination.

A. Identifying Near-Term and Medium-Term Objectives

The design and implementation of a national manpower policy will require several years. It will not be accomplished with a paper pronouncement. As difficult as the conceptualization and design will be, the securing of general understanding and agreement of the many parts and their subsequent implementation will be the more difficult task. Therefore, it will be necessary to phase in the national manpower policy. A possible implementation schedule involving the major elements over the near term--the first 12 months--and the medium term--the ensuing 12 months--is outlined below.

For the near-term (the first 12 months) the major elements include:

1. Identifying and developing those policies that will move manpower policy from a defensive or reactive posture to that of a more positive or active nature, such as expanding skill training and other job preparation for the unemployed.

2. The structuring of economic and manpower policies that will provide for job creation without any undue inflationary effects for those long-term unemployed without foreseeable employment prospects.

3. The need to convert a portion of the sizable income maintenance effort from passive transfer payments to more productive work-related income support activities for the residual unemployed.

4. Establishing greater equity in access to the emerging employment opportunities for those who bear a disproportionate share of unemployment through targeted services and strengthened job placement efforts, incldуing vigorous equal employment opportunity efforts.

5. The development of vastly improved labor market data and information complemented by data in related areas that so greatly affect employment, such as child care, health, and other needed services.

For the medium-term (subsequent 12 months), the key manpower elements include:

1. The definition of and commitment to a full employment goal and the design of the approaches and steps to achieve it.

2. The development of improved manpower policy formulation institutions and coordination mechanisms, including closer integration with economic policymaking.

3. The design and implementation of a more comprehensive and coordinated set of general manpower measures and programs to deliver labor market services.

4. The related establishment of regional and other structural manpower policies with permanent programs and mechanisms.

5. The establishment of a permanent standby countercyclical manpower policy, including programs and mechanisms to be available for rapid implementation when the need arises.

6. A reassessment and refinement of the manpower program delivery systems, including better rationalization and coordination of program regulations and procedures, planning processes and operations.

1. Near Term Requirements

For the near term, the priority elements of a national manpower policy are based on the following rationale:

a. There is a need for selective and positive manpower and employment policies, on a larger scale than in the recent past.

b. The expanded effort needs to be more closely integrated with economic policies in order to

better promote structural change and sectoral adaptation and to facilitate the access of the unemployed to the jobs arising from the economic recovery.

c. There are increasing limitations in defensive policies, such as income maintenance, in effectively dealing with the residual long-term unemployed; and, therefore, there is a need to move toward more positive policies to selectively subsidize employment opportunities in lieu of unproductive income transfers.

d. It must be recognized that a substantial growth in overall employment levels rests on expansionist demand policies which, however, may be constrained by inflationary pressures.

In the recent recession, given the high rate of inflation in the wake of the energy crisis and related events, the room for maneuver by demand-management policy at the onset of the general rise in unemployment was severely restricted. In the face of a strong upward surge in unemployment, the response was largely to resort to short-term selective measures, in particular the "safety net" measures of extended and broadened unemployment insurance and some relatively minimal public job creation, largely through PSE. This defensive posture was--and is--largely structured around minimizing hardship to individuals threatened or affected by unemployment.

The main thrust and timing of further employment expansion will be largely dependent on demand-management policy, which should be as selective as possible given the nature of the inflationary and balance-of-payments constraints. At the same time, demand-management policy should be sufficiently vigorous and expansionist.

On the side of manpower policies, there should be a broad shift of emphasis from the defense strategy to an aggressive, selective strategy involving the creation of new employment in both the public and private sectors and the preparation of people through training to enter employment. In addition, major efforts in improving job placement and worker mobility are needed. These efforts can be supportive of the thrust of demand-management policy by reducing labor market pressures. Therefore demand-management policy can be more expansionary than would otherwise be the case.

To continue a broadly defensive strategy implies placing almost all of the weight for the recovery of employment on aggregate demand-management policy with its accompanying dangers of an uneven pace of expansion in employment and an overheating of critical sectors of the labor market. It could also lead to the continued escalation of expenditures for income support without offsetting increases in revenues generated by employment income.

The proposed shift to a more aggressive and positve strategy would be designed to reduce the time gap between an increase in economic activity and an adequate growth rate of employment, particularly for the long-term unemployed and disadvantaged groups. Such an approach, however, involves increased government expenditures at a time when the country faces high budget deficits, balance-of-payments uncertainties, and the danger that greatly increased government expenditures will rekindle inflationary pressures. This presents a policy dilemma, the resolution of which involves the consideration and balancing of a number of conflicting objectives.

Measures that help to reduce the payroll costs of enterprises and that assist in increasing the productivity of labor will stimulate employers to increase their employment, particularly if there are expectations of future increases in demand. The stimulus of reduced costs may also affect the wage bill and the cost and price structure of industry. The wage costs would not rise as rapidly as they would under conditions in which increases in employment are induced only through the general expansion of consumption and investment. A substantial proportion of the rising income generated by this kind of selective increase in government expenditures will be returned to governments through higher revenues. Thus, the adverse impact on budget deficits of the expansion of such manpower expenditures is somewhat reduced, depending on the time lags that are involved. Added to this, manpower measures that improve the quality, accessibility, and distribution of the labor supply are anti-inflationary in character and play a significant role, along with selective employment creation, in helping an expansion to take place with less cost push stress than would otherwise be the case.

Manpower policy cannot neglect the problems of those unemployed who are in the most productive years and have family responsibilities. At the same time, the recession has had an unequal impact and has thus intensified the

problems of those who are traditionally economically disadvantaged. There is a major need for expanded policy measures that will assist such individuals to more effectively integrate into the work force during a period of general employment expansion. In short, such individuals should be assisted to share in the employment recovery and should not be left again at the unemployment end of the labor force queue by the traditional and often capricious "sort" that takes place in the labor market. The economic argument for such policy initiatives are no less compelling in terms of reduced dependency support and the multiplier effect, particularly within the affected communities, that will arise from the improved economic status disadvantaged groups will create.

For the near term--in the context of a moderate expansion of activity--it is important that selective measures be introduced on as large a scale as feasible, so that they can facilitate a process of industrial restructuring and meet the pressing needs of the long-term unemployed.

Economic measures that promote a more rapid and sustained upswing of employment need to be combined with and reinforce steps taken to meet more fundamental labor market problems, especially those involving structural change.

Given the labor market problems that have arisen during the course of the recession and the nature of the policy responses for dealing with them, what are the near-term options available for generating as rapid a reduction as possible in unemployment in as noninflationary a way as possible over the near term?

There is an option with respect to the amount of expenditure devoted to direct employment creation in the public services as compared to direct employment creation through tax incentives or other subsidization of employment in the private sector. Depending on the instruments used, employment creation through enterprises may be less expensive per job created than in the public sector. It may be possible to effect an expansion of employment in a selective way that will assist the main growth sectors of the economy. Therefore, there may be a case for the use of transitional subsidization of employers' wage costs, directly or indirectly, during the period when employment lags behind the expansion

of demand in the economy. Such a technique should be used selectively to facilitate the restructuring of industrial development and to assist lagging regions to adapt to new market and energy use patterns.

In parallel with selectivity by enterprise and region, selectivity of subsidization can be applied to those workers who would otherwise continue to remain unemployed for long periods. The emphasis of this policy is primarily on helping to prevent the overheating of the labor market for critical groups of workers in those sectors that will be expanding rapidly by directing employment to available workers and by keeping the cost of their employment low. The duration and variations in the amount of subsidization could be related to industry, region, and types of workers employed, according to the circumstances. Such measures would not pre-empt the use of public stimulation of overall investment although this would have a more indirect effect on employment in the near term. Expansion of overall investment, however, would contribute more to the long-term growth of employment on a sustained basis.

A considerable increase in the scale of manpower training would help to prepare the long-term unemployed and new groups entering the labor market to enter employment in those occupations, industries, and areas that are most likely to undergo cost pressures and manpower shortages as activity expands. Manpower training can therefore constitute a significant anti-inflationary strategy. Training is probably the most important measure that assists in reducing the extent of structural unemployment. In general, the cost-benefit assessment of public expenditures on manpower training has been favorable, which further indicates that manpower programs have an anti-inflationary character. Enterprises with idle capacity can also be used for these public-assisted training efforts. The occupations in which the training is to take place will need to be carefully aligned with the industrial and occupational patterns of the emerging employment expansion. It is not easy to project future needs or requirements.

A greater emphasis on general educational upgrading reduces the dependency on forecasting precise labor market developments. Such basic education and broad skill training increases the range of eventual employment opportunities for those who lack these minimally required skills. The basic educational deficiencies of so many of the long-term unemployed is often at the root

of their employability problems, and the return on an investment in this area will be considerable. The training of youth at the beginning of their working careers is particularly important in ways that provide for a combination of training and employment. Training is also the principal way in which those in redundant occupations can be recycled to take advantage of alternative employment opportunities. If training programs are to play a substantial role during the early phases of expansion, income support for those in training should be at levels that will encourage people to prefer training to passively receiving unemployment benefits. At the same time, income support during training needs to be related to the labor market. Training can also be extended to those involuntarily employed part-time as a means of improving skills, productivity and prospects for full time employment.

Selective increases in direct public employment and public works expenditures, particularly in areas of social infrastructure that are critical to fostering further economic growth or to restructuring the pattern of economic development, can also make a significant contribution to employment expansion. Such expenditures can have multiplier effects on enterprise employment and in this way can help offset the growth of public expenditures involved, because tax revenues are increased through the resulting growth in employment and income. Steps to stimulate housing have substantial multiplier effects on employment in other industries. The requirement to stimulate employment quickly suggests an emphasis on labor-intensive projects, provided this meets tests of economic viability and social need. The financing of increased construction by local and state levels of government by time limits on the availability of funds can be used to stimulate quick responses. On the other hand, there are dangers that the expenditures of one level of government will substitute for those of another that will have a minimal impact on the expansion of total employment. Long time lags between the initiation of public works projects and their employment effects have in the past led to situations wherein public works expansion coincided with upswings in private sector employment. These experiences argue for projects that can be quickly implemented or that are targeted to areas expected to continue to have higher unemployment problems. Combinations of employment

and training can help to insure that skill scarcities do not impede the further growth of activity.

It is suggested that consideration be given to introducing community development employment approaches that would meet social needs as well as help to prepare the long-term unemployed for regular employment. Since such projects, which would be managed and operated by community-based organizations, are labor intensive and relatively low cost in terms of capital, they can have a substantial effect in reducing unemployment per unit of public expenditure. Again, such projects can play a traditional role until the pace of regular employment expansion is sufficient to meet the job needs of high-unemployment groups and areas. The importance of such projects to a community's social viability also needs to be recognized.

It is important in the near term that selective employment creation policy, training programs, and rehabilitation measures be directed in a balanced way, so that those who are least competitive (such as youth, older workers, women, or the unemployed of depressed areas) will have a better opportunity of being absorbed as employment expands. At the same time, manpower shortages will develop first among the most competitive and productive in the labor force, and there is thus a case both in terms of social priorities and in terms of anti-inflationary policy to take active measures to enhance the employment of the least competitive to meet critical job needs. A major manpower policy priority in the near term must be the meeting of employers' needs so as to enhance the economic recovery.

Finally, the period immediately ahead provides an opportunity for taking intensive measures to strengthen the public employment service in its role of identifying job vacancies, counseling the unemployed, and directing them to jobs and training programs. The increase of structural unemployment and the burdens of administering unemployment benefits have progressively undermined the capacity of many public employment services to play an effective instrumental role in improving efficiency in the operation of labor markets. Additional resources devoted to modernizing, updating, and increasing the capacities of employment services provide immediate benefits and are fundamental to implementing policy initiatives designed to reduce the level of structural unemployment and to deal with the problems of less

competitive groups in the labor market. Similar efforts at strengthening the basic CETA manpower delivery system are also needed.

2. Medium-Term Requirements

Medium-term issues cannot be neatly separated from those that will arise in the near term. Certainly, many of the near-term manpower policy concerns will continue to demand attention in the medium term--and beyond. Equally, medium-term manpower issues that need to be approached over a period of years cannot be left to some later stage to be initiated. In many cases, such efforts will need to be started at the same time as action is taken with regard to more immediate issues. Medium-term problems and issues will be more difficult to foresee and prepare for. For example, the effects of the prolonged and deep recession may be masking some extensive changes in the structure of some parts of our economy and labor force, particularly the latter.

Growth rates in the near and medium term are uncertain; consequently, the overall level of unemployment cannot be predicted accurately. But it is reasonably clear that even in the medium term, unemployment will remain high by historic standards, and that it will be differentially concentrated among particular groups, regions, and industries. This outlook means that a significant gap will continue, even under conditions of reasonable growth, between full employment goals and the reality of unemployment. It follows, therefore, that the challenge is not only to develop policies that will narrow the gap between employment objectives and unemployment, but that will also lead to a new understanding of the kind of full employment policy that is relevant to the economic and social conditions that are emerging.

Even in the medium term, it is fairly certain that the continuing inflationary pressures will not allow for the extensive use of traditional expansionary fiscal and monetary policies to expand sufficiently in order to reduce unemployment to more acceptable low levels. In fact, continuing high rates of unemployment may generate pressures for additional aggregate policy responses with their inflationary potential unless a part of the reduction in unemployment can be obtained through the vigorous use of selective manpower policies. Thus, if we wish to achieve the highest sustainable levels of employment within the expected medium-term situations, we will need to develop additional selective policies that

will help reduce unemployment among those who will bear an increasingly disproportionate share of its social and economic impact.

The cause of unemployment in the medium term will not be cyclical in character, but rather structural. The term "structural," embraces a great variety of labor market and individual circumstances and presents the most difficult challenge as far as the design of manpower strategies and programs is concerned.

It is in the medium term, that is the second 12 months of the implementation of a national manpower policy, that major policy issues must be resolved and the difficult job of designing and mounting its more basic elements undertaken.

The primary policy issues to be faced is that of defining full employment and designing the means to help achieve it. A substantively acceptable definition of full employment, with specific goals, stated objectives, and standards, must be hammered out.

It is also suggested that during this period a comprehensive standby set of countercyclical policies and programs should be developed and should be available for use as necessary. The institution of such countercyclical manpower policies must be in the context of a general reassessment and restructuring of manpower institutions and programs to better support the new manpower policy framework.

As proposed, a major element of the restructured manpower effort would be an expanded regional or area structural unemployment effort, as well as a revamped structural unemployment effort in general. A critical need during this period will be the development of more effective manpower policy formulation institutions and processes and the delivery systems required to translate policy and programs into operational reality.

B. Other Selected Issues Requiring Consideration

1. Examining the Trade-off Between Inflation and Unemployment

A major issues that must be faced in the development of a national manpower policy is how to accommodate the pervasive effect of inflation and the apparent change in the relationship of inflation to unemployment.

Until the late sixties there was, broadly speaking, a trade-off between the rate of growth of economic activity (measured by the level of unemployment) and the rate of price increases. An effective way of preventing wage and price increases from being translated into sharp rises in prices, was to create some slack in the economy (by moderating total demand), with a resulting rise in unemployment. The current situation is markedly different. Stagnation, indeed reductions, of economic activity and the associated higher levels of unemployment have had only a modest impact in containing rising wages and prices. To get back to the moderate rates of inflation of the early sixties solely through demand-management would require intolerably high levels of unemployment, even if one believed that a trade-off relationship continues to exist.

Given the recent inflationary experience, the danger that overall stimulus to demand will set off another and sharper bout of price rises still exists. Apart from this danger, the increasing specialization of the labor market and its uneven structure have progressively weakened the capacity of total demand stimulation to provide suitable employment for an increasing number of workers, which, in part, accounts for the secular rise in unemployment in several countries. New policy strategies must be developed for the medium term that envisage a carefully staged management of overall demand to promote an effective stimulus for the growth of employment in concert with selective employment and manpower policies that prepare the less competitive for employment to meet skill demands.

At whatever rate the economy grows in the future, substantial changes of production, employment, and labor force patterns are inevitable. Modifications to the structure of final demand and technology in response to higher energy prices, expansion of some markets and contraction of others, the consequent alteration in the kind and quality of investment, are examples of changes to which the economy will need to accommodate. At the same time, new uncertainties about the public sector's claims on incomes and resources will emerge and require resolution, with consequences for the pattern and amount of employment. Each of these changes alone can have substantial effects on employment and unemployment. Together, they imply a substantial reallocation and redeployment of manpower. Thus, a major role of manpower policy is to facilitate the adaptation of human resouces

to ever-changing patterns of employment in ways that do not put the whole burden of adaptation on people, but adapt jobs and their characteristics to people as well.

Normal market forces left to themselves would, in due course, bring about many of these changes. But unlike the past, these alterations in employment patterns will be taking place against relatively tight domestic demand-management, so that the transitional period could turn out to be long and costly in terms of underutilization of both capital and manpower resources. Government policy is confronted by a dilemma. Unable to allow raging inflation, it attempts to regulate it by application of fiscal and monetary measures to dampen total demand. Yet these weapons, though enormously powerful, are of limited value in bringing about the necessary changes in employment patterns. Unless those modifications emerge in the labor market, inflation is not contained, and additionally with the cutback of demand, much production is foregone, and unit costs rise because of underutilization of capacity. What may be gained in the fight against inflation through such moderation of wage-push as may be bought through lower demand pressure, may be more than offset by cost increases from the under capacity working of industry.

For a way out of this impasse, much greater emphasis should be given to selective manpower policies such as training, geographical mobility, income support, and the location of employment. More reliance on selective policies can speed up--and humanize--the shift of people from the less productive, inadequately competitive firm or industry to others where both their productivity and their income will be higher. The positive case for larger scale application of selective manpower policies is that structural change can be obtained at less cost through these measures than through a sole reliance on the propulsive force of fiscal and monetary policy. The negative argument must also be taken into account. All of these structural changes in employment are going to be needed at a time when the general level of employment will very probably fall short of what is regarded as "full employment." Whether apprehension about being made redundant at a time of high general unemployment will increase the willingness of the individual to accept new techniques and methods of production is open to question. Since the re-establishment of a sustainable growth path will in considerable part depend on the ability to secure these structural changes, investments in measures to

insure a smooth and humanly acceptable adjustment process should high rates of return.

Indirectly, facilitating structural change has been a major objective of manpower policy in the past, but is has often not been applied on a scale that is compatible with present needs. The case for more intensive selective manpower policies in further strengthened by the growing concern that the human and social costs of industrial change should not fall primarily on workers. Industrial change, in terms of pace, its geographical location, and the characteristics of technology, should be better adapted to social needs and aspirations. Public policy should seek to insure that industrial change is a two way process, involving both the adaptation of manpower and the nature of employment opportunities. This will require greater integration of manpower and economic policies and the strengthening of governmental and other institutional mechanisms to insure that the employment and related social implications of change are fully taken into account.

It should be noted that the present inflationary pressures did not arise from the labor market, and therefore their amelioration should not be sought in the continence of continued high unemployment.

2. Reassessing the Role of Income Maintenance

Another major issue to be faced in the design of an overall manpower policy is the sorting out of the respective roles of the variety of income maintenance systems, particularly unemployment insurance and welfare.

Income support in an economy subject to constant change is an essential social support that permits economic adjustments to take place without serious shocks being borne by those who suffer unemployment through no fault of their own. Essentially, the objective is to have a sufficiently widespread method of income maintenance to insure that everyone willing to work, but without a job, has some basic income support. This approach springs from a commitment to insure that there will not be a too severe redistribution of income between those who are in jobs and those who are unemployed through no fault of their own. Unemployment benefit systems have progressively reached a high degree of coverage for those who might be at risk. Broadened protection will be achieved when the Supplemental Unemployment Assistance Program (SUA), which provides unemployment insurance protection for those not normally covered, is enacted into the permanent unemployment

insurance legislation. Unemployment benefit systems have been designed as a means for tiding over people who are temporarily out of work for relatively short periods of time. This approach has been severely shaken by the depth and duration of the current recession. During this period, the system was found to be not sufficiently extensive to cover everyone who became unemployed, not adequate in the length of time for which benefit payments were made before individuals had to fall back on welfare payments. An important lesson derived from this experience is that unemployment benefit systems need to be looked at anew if they are required to provide income maintenance for unemployed workers for prolonged periods of high unemployment in contrast to their being a short-period support program for a relatively few unemployed. A higher total volume of unemployment taken together with longer individual spells of it, implies large expenditures for the largely passive income maintenance of people who are out of work.

Another aspect of the same issue arises from the efforts to raise the level of unemployment compensation in relation to wages, in order to in[illegible]e higher levels of income maintenance even when the s[illegible]lls of joblessness experienced by individuals are of sh[illegible]t duration. Progress in this direction, while we[illegible]me on social grounds, can lead to problems of incentives to seek and accept employment in the context of family income earning units and progressive tax systems. In practice, there is now for some individuals an acceptable option between employment and public income support. This is particularly true when the choice lies between unemployment benefits or welfare and relatively poorly paid, unattractive work that yields only a small marginal gain, or no gain at all, in income when compared with what is available through public income maintenance.

Any review of the methods and purposes of the unemployment insurance system will need to take account of a set of interrelationships of great complexity. Foremost is the relationship between unemployment insurance and welfare. The extension of unemployment insurance for up to 65 weeks during the recession has blurred, to some degree, the objectives of both social programs. Such an analysis could throw further light on the views held by some, that a part of the explanation of the breakdown of the traditional inverse relationship between unemployment and high wage increases, with their contribution to

inflation, is to be found in the generosity and comprehensiveness of the unemployment compensation system. Making this issue explicit seems only to illustrate the complexity of the institutional and behavioral relationships involved rather than to suggest regressive measures to use the discipline of unemployment as a means of enforcing socially desirable behavior on the part of individuals or groups. Perhaps an even more difficult aspect of any reassessment of the unemployment insurance and welfare systems would center on the issue of whether the government could better meet its economic and social objectives by the diversion of a considerable portion of income maintenance expenditure to positive manpower training and job creation on the principle that it is better to pay people to work than to be idle. This applies to welfare as well as to unemployment insurance, although welfare, with its different forms, has many other issues to contend with, many of which are touched on elsewhere in the paper.

Because of the variety of institutions, practices, and traditions in the range of income maintenance systems, it would not be appropriate to attempt to suggest here even in broad brush the possible changes for reforming the present systems of income maintenance. The importance and complexity of the issues involved require a substantial and systematic analysis as a basis for developing better policy initiatives. Of special interest is a full consideration of the strong case for redirecting, at least, additional financial expenditure resulting from unemployment away from income support to programs for employment and training of the unemployed. Proposals for change as far as unemployment insurance is concerned will need to recognize the insurance philosphy that implies a contractual right for the individual to receive compensation when unemployed. It is not the basic intent or design of unemployment insurance that is at question, but rather the role assigned to it in terms of helping to ameliorate high and extended unemployment. Perhaps the system is being asked to perform a function for which it is not suited. In addition, the complexity and extent of institutional changes that will be needed to transform the present passive, routinized approach to unemployment compensation into a flexible, more responsive, and differentiated system, pose a substantial challenge. Consideration must be given, however, to whether the continuation of long-term large-scale income support is

the most desirable way of coping with the problem of unemployment in terms of its economic and social consequences.

3. Improving Manpower Development and Job Preparation

Although skill development and job preparation are the most traditional--and historically popular--aspects of our manpower program effort, the extent and quality of our effort in this area is minimal. Many reasons exist for this, not the least of which is that training for job skills that are in demand is perhaps the most difficult of the manpower program efforts. Therefore, in many instances the relatively easier route of placing someone on a public service employment or work experience job is chosen as the easier path. Certainly in periods of high unemployment, there are real constraints as far as job training is concerned, but only if there is a narrow view of the role of training during such periods.

Training, whether for adults or for young entrants to the labor force, makes a significant contribution to improving the quality and productivity of manpower. The experience of some other countries indicates that large-scale manpower training can be a major element in the array of selective manpower policies designed to act in a contracyclical way. Some efforts can modify the harshness of downswings by taking up some of the unemployment and underutilization while at the same time providing a backlog of skilled manpower that can enable a greater expansion of employment to occur before inflationary market pressures are encountered. Experience has shown that in those countries with large, flexible, and quality training programs with adequate allowances, most people prefer training to idleness or unemployment benefits.

Training also can create new and better employment opportunities for the low-skilled and those in dead-end jobs. This underutilization of manpower can be met in productive ways that will satisfy individual needs and prepare skills within the labor force that are in demand. Training in basic education skills can also be an important means of upgrading the educational qualifications of the disadvantaged unemployed.

The opportunity costs of training unemployed manpower during an economic downswing are far less than when employment is at high levels. Benefits are of several kinds. There is the socially and politically valuable reassurance that the unemployed are not abandoned as useless. The contribution to damping down inflation comes about through the creation of more and better trained manpower.

The administration of large-scale training programs, particularly during periods of high unemployment, presents problems about who is to train and for what occupations. It is sometimes suggested that training for "stock" is wasteful, because individuals may lose their newly acquired skills and may become disillusioned if they are not placed in a job where they can use their skills immediately. Such difficulties, however, can be met if programs focus on broad occupational skills, on general educational upgrading, and on the kinds of skills that do not wither away from lack of use. In addition, a period of prolonged unemployment makes possible an opportunity to provide occupational qualifications that require lengthy periods of training. Objections to very large scale training programs are also sometimes raised on grounds of cost. The financing of such programs, while substantial in terms of resources, is for the greater part often accommodated by expenditures that would in any event arise through income maintenance payments. As noted, most cost-benefit evaluations of programs report positive returns on the resources devoted to them. Moreover, real costs are substantially diminished if the idle capacities in employers' premises and existing public training institutions are utilized for expanding such programs. Several OECD countries have turned to manpower training in the expectation that it will make a significant contribution to easier changes in the structure of employment. Manpower training that eases skill bottlenecks enables recovery of employment to higher levels with lower rates of inflation than would otherwise be possible; and there is consensus on the significance of training in preparing disadvantaged groups and redundant workers for better employment opportunities. A review of the scale and performance of our nation's manpower training efforts, both as to size and quality, is not encouraging, and the challenge in reformulating a national manpower policy is the design of a more effective training effort.

4. Facilitating Recurrent Education and the Flexibility of Working Life

Despite future uncertainties, looking to the longer term, serious consideration will need to be given to the expansion of training and educational opportunities for workers who want to acquire education or other skills that are not immediately applicable to their employment situation or necessarily directly related to labor market requirements. For any economy that may be characterized, on a sustained basis of having moderate rates of growth, significant adjustments in the availability of manpower can be achieved through more such broad-based efforts involving such concepts as "recurrent" education. In the longer term, attention should be drawn to the importance of developing flexible structures that would enable people to have careers with periods of work interspersed with periods of recurrent education or manpower training, possibly tied into the retirement and Social Security system. This is an area where government policies and programs can be directly supportive of employer and union efforts. It is suggested that job security will receive increasing attention in the collective bargaining process and contract provisions providing for forms of recurrent education and upgrading, and more flexible work patterns will become more prevalent.

5. Increasing Job Security to Encourage Manpower Flexibility

In recent years, there have been increased pressures for greater employment security at the level of the individual job and the particular enterprise. This contrasts with the more traditional practice in which the onus of adaptation to job redundancy was on the worker and on governmental agencies via training, mobility, and employment service activities designed either to prepare the individual for a job or to find him a new job. It can be argued with some force that adaptation and mobility are the only real basis of employment security in an advanced economy that needs constantly to change by absorbing new technologies and reacting to alterations of product demand in order to be competitive and viable. This agrument, however, poses a policy dilemma of how the greatest possible security of employment can be achieved at the level of the job enterprise while retaining

the necessary flexibility of manpower resources overall to enable the economy as a whole to respond quickly and positively to improved technologies, to rises in productivity, and to changes in market demand, including international trade.

Manpower Policy can respond to the demand for more security of employment by providing, through greater reliance on selective policies, incentives that encourage the enterprise to maintain employment so that the individual worker will not be cast adrift from his job on each occasion on which technology is improved or markets slacken. However, the established priorities of most enterprises require the security of jobs to be subordinate to the enterprise's decisions related to production and investment. There are signs of growing opposition, which may become stronger if unemployment remains at high levels, to this scale of priorities. A more balanced approach may lie in a fuller recognition that much of the socioeconomic cost of employment adjustments by enterprises is, in any event, carried by society as a whole, including employers, through income support for the unemployed and employment creating activities financed by governments.

New initiatives have been taken in other countries for maintaining and continuing employment within enterprises by the use of government grants or other incentives. The potential of these policy initiatives requires examination. The principles on which these initiatives are based and their actual effects require considerable detailed analysis. There is the fundamental question about the longer-term economic consequences of providing employment security in this way for any substantial number of individuals.

Manpower policy can foster a more balanced approach to the employment dislocations caused by industrial change by strengthening those manpower programs that help redundant workers adapt to alternative employment. It can also directly help enterprises maintain employment in those circumstances in which longer-run economic viability is possible and the social and economic costs of unemployment are substantial.

6. Achieving Social Equity in the Distribution of Employment Opportunity

The role of manpower policy in helping to achieve "greater equity" in the distribution of employment, particularly of "good" jobs, has often been stressed.

At the same time, manpower policy must be responsive to and supportive of economic requirements. Although not mutually exclusive, the balancing of these objectives presents a major challenge to the framers of a manpower policy.

One way of approaching the goal of a more equitable distribution of employment opportunities is to take steps to remedy the ways in which different groups are affected by the traditional operation of the labor market. A great deal of total unemployment, even in a period of prolonged recession, consists of a rapidly changing number of people who are out of work for relatively short periods. However, young people below 25 years of age, older workers, women, and the disadvantaged are, in the main, much more exposed to risks of continuing or intermittent unemployment than are other groups. This unevenness in the spread of unemployment has been increasing over the years and will worsen unless sizable remedial measures are forcefully developed and applied. While not everyone in these groups faces employment difficulties, and problems differ from groups to group, there is a high concentration of unemployment among them partly because of the characteristics of the individuals in these categories and partly because of the patterns of employer demand in the labor market. Discriminatory hiring practices as a product of social prejudices and of racial discrimination intensify the inequality of opportunity that purely market forces bring about.

It is a difficult task to balance policy priorities as between those approaching the end of their working life and those just about to start new careers. For older workers, increased difficulty in security stable employment has serious implications, for them, for their families, and for the community at large. Depending on the wishes of the individual, older workers should have the option of an adequate and early pension to enable them to live full and creative lives following their productive contribution to society. Other options, including subsidized and part-time employment, that will enable the society and the economy to benefit from their accumulated skills, should also be explored. The noneconomic returns of such an activity to the older worker are indeed very substantial.

Both young and older workers have an undeniable cliam on the community's capacities to create satisfying and continuing employment. Youth unemployment is a high priority problem requiring greater response with new interventions. It would be an oversimplification to think

that the employment experiences of youths are uniform, for they vary greatly, depending on the educational and social background of individuals as well as the labor market context in which they attempt to establish themselves in careers. Moreover, many of the young reflect changing attitudes to the role of work in the society. Despite the rapid expansion of both secondary and postsecondary education in the sixties and early seventies, an apparently increasing proportion of youth does not appear to be adequately prepared to meet the needs of the labor market or vice versa. On the other hand, rising educational levels have led to higher aspirations and in many cases higher qualifications than the kinds of employment offered to youth can satisfy. This constitutes a particularly difficult example of structural imbalances, as it affects the functioning of both the labor market and the educational system. Even a strong growth of general demand with a corresponding expansion of employment seems likely at best to reduce the extent of unemployment among school-leavers rather than to resolve the complex problems associated with a lack of effective articulation between educational systems and the labor market. More openings in a range of unattractive jobs are not likely to change the attitudes and behavior of youth toward work. Effective actions to deal with the unemployment problems of youth will require coordinated actions by manpower and educational authorities in concert with employers and unions that reach into the educational system on the one side and into employment on the other to create a greater variety of links between them.

The problems identified and the conclusions reached in other parts of this paper apply equally to men and woemn, so that the issues identified here deal particularly with the employment problems that are unique to women. A major thrust of public policy today is directed to the achievement of equality of treatment and opportunity for women in employment, in education, and in other spheres of social and economic life. While part of the different treatment of men and women in the labor market is redundant due to unequal access to educational and training opportunities, there still exists substantial differential treatment of men and women with similar educational achievements and skills. The development of more equitable career patterns is dependent on substantial adjustment on the part of educational institutions and in the organization of responsibilities for both men and women in the home. For instance, during part of their potential working life, many women cannot work on a full-time basis, which is the the norm for most men, unless adequate arrangements are made for the care of children. Also the adaptation of the hours

of work, and work schedules in general would benefit both men and women who must combine family responsibilities with employment. While part-time work suits many women, it often does not carry with it the material benefits associated with full-time employment, which in itself constitutes a significant element of discriminatory treatment. Differential measures are needed to act both on the structure of employment and on the skills and other characteristics of people in the least competitive groups if greater equity of employment opportunity is to be achieved for less competitive groups. Training, job experience, and counseling programs help raise the quality of what these groups have to offer in the labor market. On the employment opportunity side, financial incentives and other techniques introduced by government can encourage employers to modify their recruitment specifications to allow better access to jobs to members of these groups.

7. Improving the Quality of Working Life

Changing aspirations among workers, particularly the young, are becoming increasingly evident in the form of manpower shortages in manual and routine jobs or in remote locations at the same time as there is high unemployment. Unattractive working environments have manpower efficiency and social consequences that are not particularly amenable to the traditional solutions of trainiing and labor mobility. Pressures are being applied across a wide front and with increasing strength on government, employers, and unions to meet increasing demands for job satisfaction and for work structures in which individuals may be able to better employ their talents and participate in decisions affecting their economic future. Progress in improving the quality of working environments requires specific policy measures applied at the level of enterprises and places of work. This in turn involves close coordination between employers, unions, and governmental authorities if a balanced approach, which meets not only economic but social objectives, is to be achieved.

8. Strengthening Policy Coordination

Higher sustainable levels of employment in the future will be dependent on the achievement of effective coordination of demand-management policies that have as their purpose the achievement of balanced growth and of policies designed to selectively deal with employment and

manpower problems. In order for selective employment and manpower policy to meet its conjunctural, structural, and social objectives, an essential condition is its dependence on and close coordination with fiscal and monetary demand-management policies. A harmonization of these two complementary sets of policies is basic to the attainment of noninflationary growth and high levels of employment. Manpower authorities have a significant role to play in insuring that there is effective integration of policies affecting employment and in particular in assessing the extent to which the mixture and scale of manpower and employment policies are inadequate in terms of the degree of manpower underutilization. Because most government decisions affecting the economy have employment effects, it is particularly important that the competent authorities (fiscal and monetary, regional and sectoral, industrial development and trade, etc.) act together with the manpower authorities to insure that the employment effects of their policies are coordinated in a complementary decisionmaking process.

Employment and manpower policies are usually implemented through a large number of institutions at national, state, and local governmental levels. This approach requires both a sensitivity of response to state/local needs and a sustained effort to provide leadership and coordination on the part of national manpower authorities. In terms of the development of policies seeking to influence enterprises' approach to manpower, manpower authorities should consider the establishment of expanded consultative procedures that involve employers and unions. Within the governmental framework, the coordination of systems of unemployment income maintenance and employment policies is of special and urgent concern because of the important effects on labor market behavior and the options that exist in the use of financial resources for employment and training as compared to income support.

At the federal level it is clear that much needs to be done to strengthen the institutions that formulate manpower policy and to create new mechanisms for the mutual involvement of the economic and other related policymakers, both within the Executive branch and with the Congress. A major effort needs to be undertaken to better incorporate state/local governments into the manpower policy process. In the final analysis, perhaps the most critical need is to develop a viable role for employers, unions, and other concerned sectors such as community groups.

VI. SUMMARY AND CONCLUSION

The roles of selective manpower and employment policy can be defined under three headings: countercyclical, structural, and social equity. The countercyclical role, which has been prominent in the recent recession, is to reduce the economic and social impact of unemployment during the downturn, and to provide for a less inflationary expansion of employment during the upturn. The medium-term structural role of selective policies is to facilitate the redeployment of manpower to new patterns of demand arising from changes in industry; paralleling that is the goal that such new employment patterns be more congruent with the needs and characteristics of those who seek employment. The role of policies in achieving greater social equity is to help insure that the more disadvantaged have access to a greater range of employment opportunities, thus enabling jobs and the income arising from them to be shared more equitably. Additionally, these policies should help the attainment of the social goals of an improved quality of working life and greater freedom of choice in the option between work, leisure, and creative activities such as education.

The three aspects--countercyclical, structural, and equity enhancing--of a national manpower policy can make a major contribution to the country's economic and social objectives. It has already been emphasized that providing employment for all of those seeking and needing it, particularly in ways that minimize the inflationary results, is a goal of paramount importance. There should be no retreat from this as an underlying policy goal. Indeed, the goal must be better articulated and more vigorously pursued. In times of high employment, the objective of manpower policy is to develop and utilize manpower resources as fully as possible in ways that help to enhance efficiency and help to contain inflationary pressures. Further elaboration of this objective in terms of the varied needs of different groups of people and the reasons for their inadequate participation in the nation's economy will help establish a more valid framework, such as those now emerging on the quality of work life. The objective of more productive forms of income support for the unemployed is also becoming a more central concern.

If the promotion of employment cannot provide an adequate income for those who wish and are able to participate in economic activity, then government has a clear responsibility to provide it in one form or another. This

raises the longer-term issue of the interrelationships between these two objectives in an inflation-prone economy. The nation will need to consider a reformulation of the goals of full employment policy in ways that give these goals both an economic and a social dimension, and that are further suggestive of the interrelationships between policy instruments, the differing needs of various groups, with an emphasis on the harmonization of the purely economic objectives of growth and efficiency; and the social objectives of an employment policy.

Providing employment for all those seeking and needing it is a paramount target of policy regardless of the time horizon, although the emphasis on the target will change markedly depending on the stage of the business cycle. Enabling that target to be pursued by demand-management policy in ways that minimize inflationary forces is both the objective and the outcome of the selective manpower policies that are needed if the difficulties encountered by specific groups in the labor market are to be overcome. The target of modifying the pattern of pockets of relatively high unemployment in periods of peak activity coexisting with manpower shortages requires, at least in part, a greater focus of policy and concern on training, geographic mobility, job placement, and improving the labor market access of disadvantaged groups. In short, a full range of manpower policies designed to foster a full and efficient utilization of available manpower resources. Not so much an objective, but rather as a fall-back position if the economy cannot be managed so as to provide a wage income for all who are able and want to work, is the necessity of providing adequate income support or its alternative in the form of subsidized employment.

There is a possible danger that once unemployment has peaked and receded, the recently felt need to put resources into selective employment and manpower programs will also recede. This outcome would be particularly unfortunate if it led to cutbacks that undermined the role of these policies in facilitating a less inflationary expansion of employment and that weakened the capacity of the policies to contribute to better structural adjustments.

As recovery begins to take hold, the danger increases that the role of manpower programs as valid instruments for use in conjunction with demand-management policies, may be seen by some as diminishing. The likelihood of such an outcome can be reduced if it can be demonstrated

that problems such as the uneven distribution of employment opportunities among different groups or the inadequate linkages between school and work and the associated growing gap between individual expectations and the realities of working life, will not disappear on their own accord under conditions of recovery and reasonable levels of economic growth. While such problems may be exacerbated in the downswing of the economic cycle, they are in the main a product of more structural, economic, social, and institutional changes occuring over the years.

It must be recognized that a many-faceted approach is needed for the articulation and achievement of "full employment" in the circumstances likely to prevail in the next few years. While rising unemployment has gone hand in hand with accelerating inflation, the danger of piling up inflationary pressures on both the cost and demand sides of the economy still remains too great to allow the generation of full employment only through the expansion of total demand. This is not to downgrade the primary role of aggregate demand in providing the major thrust for high and sustained levels of employment. As already suggested, a further reason for not relying wholly on orthodox methods of demand-management is that these initiatives tend to do little to generate adequate employment for those groups that are least well placed on the one side, and tend to heat up the labor market in an uneven way on the other. A multisided, selective approach is, therefore, a necessary condition for securing high levels of employment without triggering excessive inflationary pressures.

The use of specific measures to improve the employment prospects of less competitive groups contributes to the goal of full employment by reducing the incidence and duration of unemployment affecting them. And because the measures bringing about this outcome are specific, they are much less likely to overheat labor market demand for prime age workers than are the use of traditional aggregate measures to accomplish the same objectives. This is but one example of the use of manpower policy and programs as a counter inflationary instrument.

The balanced approach of economic and manpower policies to the achievement of full employment recognizes the segmented nature of the labor market. It seeks to establish a more equitable employment strategy and has other merits in the context of combating inflation.

An important outcome is that more of the income generated through these selective expenditures for improving employment opportunities for the unemployed, is returned to government, through taxes, than when public funds are spent simply to provide income maintenance during unemployment. The advantages flowing from this are twofold: in the first place, in economic terms, that redistributive employment strategy leads to a better spread of the fruits of economic growth. Second, in social and human terms, an undesirable dependency on income unrelated to work is broken, and this, in turn, makes a contribution to human worth and dignity.

This paper attempts to set forth a proposed conceptual base and the major elements for constructing a national manpower policy framework. Much of the paper will be subject to debate as different views exist on what should be the appropriate manpower policies and programs in the context of our country's social, political, and economic structure.

Many key policy problems and issues have been identified and much further work needs to be done on these and other issues in the course of developing a specific framework for a national manpower policy.

As indicated in the Introduction, the intent of this paper was to begin to lay out for general consideration and comment the scope and thrust of a conceptual framework for a national manpower policy. Much work still needs to be done on the concepts as well as on the component manpower policies and their component programs. This work is now underway. It is anticipated that in its final form, the proposed national manpower policy will include specific legislative and administrative recommendations that will address goals and objectives, programs, policy making institutions, and delivery systems.

The intended task is most complex and many difficulties will be encountered. The effort will be worthwhile, however, if in the course of developing a proposed national manpower policy framework the Commission raises to a more informed level the national debate about employment and unemployment.

Ultimately, the most beneficial result of a national manpower policy may be in the evolution of a set of goals and principles. If some form of national consensus were to be developed in this critical--and neglected--area, many of the other parts of a national manpower policy could be expected to subsequently emerge. Of primary importance

is the development of the interface and linkages with economic policy, since the viability of manpower policy is influenced so much by--and indeed in large measure is part and parcel of--economic policy.

The Commission has a special responsibility and a unique opportunity to attempt to set out and crystallize a national manpower policy. It can, and should, play the much needed role of a catalyst in generating the required national debate and in making substantive suggestions as to what the nation's manpower policies should be within a structured framework.

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